

CONVENTION CENTER TAX
RCW 67.40.090 and .130

Tax Base Charges for lodging within King County. The tax applies only to hotels, motels and similar facilities in King County with at least 60 units. The tax applies only when a lodging unit is used for a continuous period of less than one month (longer use is considered as a rental of real property, rather than a "license" to use the property).

Tax Rate

#1. Transient rental tax - all of King County (RCW 67.40.090)

Current rates:

7.0 percent - within the city of Seattle

2.8 percent - throughout the remainder of King County.

NOTE: the statute, as amended in 1995, provides that the rates will drop to 6.0 and 2.4 percent respectively, when the bonds and any other funds that are borrowed to finance construction or expansion of the convention center are retired.

RCW 67.40.090(2, f & g) provides that starting on August 1, 1998, the State Treasurer will annually compare the amount expended for debt service on bonds issued for the state convention center and receipts of this tax. When 71.43 percent of the tax receipts for the prior fiscal year exceed by more than \$2 million the principal and interest payments for the bonds, then the Treasurer will notify the Department of Revenue through an official "certification". Under previous law, when this occurs, the Department would have rolled back the tax rates. However, the 1995 amendment makes a future rate reduction contingent upon retirement of the bonds, not the Treasurer's certification.

#2. Transient rental tax - city of Seattle (RCW 67.40.130)

Tax rate: 2.0 percent

The tax applies to the same charges for accommodations as the 7.0 - 2.8 percent tax; however, it is limited to hotel facilities within the city of Seattle. Further, the 2.0 percent tax is credited against the state retail sales tax, so that it does not increase the cost of room rentals to customers. All of the revenues are deposited in the state convention and trade center account and are dedicated to costs of expanding the convention center. Thus, the effect of this tax is to shift funds from the state general fund to the state convention and trade center account within the state treasury.

Levied by

- #1. The basic convention center tax (7.0 and 2.8 percent rates) is levied by the state.
- #2. The 2.0 percent tax is technically levied by the city of Seattle per RCW 67.40.130(1), but the funds are derived from the state retail sales via a crediting mechanism, and the receipts are transferred to the state convention and trade center account.

Administration

Department of Revenue. The tax is reported on the combined excise tax return (Form #40 2406) by hotels, motels and other facilities that provide lodging on a temporary basis.

Distribution of Receipts

- #1. All proceeds of the convention center tax are devoted to the state convention center facility, located in Seattle. Receipts are deposited into two accounts within the state treasury: (1) the state convention and trade center account (used for acquisition, design and construction of facilities and retirement of bonds) and (2) the state convention and trade center operations account. Currently 85.71 percent of the tax receipts go to the construction account and the remainder may be used for operations. When the certification occurs and the tax rates are decreased (see above), the amount going to the state convention and trade center account will drop to 83.33 percent of the receipts and the operations account will increase accordingly.
- #2. Receipts of the 2.0 percent tax are taken from the state general fund and deposited into the state convention and trade center account to be used for expansion of the facility.

Recent Collections (both taxes) (\$000)

<u>Fiscal Year</u>	<u>Collections</u>	<u>% Change</u>	<u>% of All State Taxes</u>
2001	\$40,254	21.5%	0.3%
2000	33,132	8.4	0.3
1999	30,577	15.2	0.3
1998	26,535	7.6	0.2
1997	24,657	22.8	0.2
1996	20,073	5.7	0.2
1995	18,989	10.5	0.2
1994	17,186	18.2	0.2
1993	14,534	4.9	0.2
1992	13,855	6.1	0.2

Exemptions, Deductions and Credits

Although these taxes are state taxes, they apply only in King County. Except for the state-shared hotel/motel tax and specially authorized additional hotel/motel taxes under Chapter 67.28 RCW (see other sections of this manual), local governments are prohibited from imposing hotel/motel taxes. One exception is allowed for the city of Bellevue to levy a 3.0 percent tax on accommodations to fund its convention center.

Facilities with fewer than 60 units are exempt from the state convention center tax. Also, temporary lodging provided for homeless persons under a shelter voucher program are not subject to the tax.

History

This tax was first effective on April 1, 1982 at rates of 3.0 percent (Seattle) and 2.0 percent (rest of King County). From January 1, 1983 through June 30, 1988 the Seattle rate was increased to 5.0 percent, but the rate stayed at 2.0 percent throughout the remainder of the county. On July 1, 1988 the rates became 6.0 and 2.4 percent respectively, and on January 1, 1993 the current 7.0 and 2.8 percent rates took effect.

Legislation in 1995 eliminated the previous "change date" when the current tax rates would drop to 6.0 and 2.4 percent. However, the statute continues to require the calculation and certification by the State Treasurer. Also in 1995, the Legislature authorized the additional 2.0 percent tax which is credited against the state sales tax and which is used for expansion of the convention center facility. However, the 1995 statute specified that this tax could not be levied before January 1, 2000, the date which the 2.0 percent tax was implemented.

Discussion/Major Issues

During 2000 approximately 190 taxpayers with lodging facilities in Seattle or the remainder of King County reported convention center tax collections.

One of the purposes for constructing a major convention and trade facility was to increase tourism within the state. It was presumed that one of the principal beneficiaries of the resulting increase in tourism would be the hotel/motel industry, particularly for the larger facilities near the convention and trade center. This accounts for the two-tier rate structure and the exclusion of smaller hotel facilities.

The convention center percent tax is in addition to the retail sales tax. Thus, the combined tax rate for hotels and motels with 60 or more units within Seattle is presently 15.8 percent. Such a high rate may discourage some tourists or convention planners. Although some other large cities throughout the country have special hotel occupancy taxes at relatively high rates, the combined rate in few cities exceeds Seattle's rate.